



Federal Emergency Management Agency

A Bulletin About the National Flood Insurance Reform Act of 1994

March 1997

Final Bulletin

The National Flood Insurance Reform Act of 1994 includes the most comprehensive set of changes that have been made to the National Flood Insurance Program (NFIP) since the Flood Disaster Protection Act was signed into law in 1973. These changes have involved all aspects of the NFIP.

In the two and a half years since the Act was signed into law, substantial progress has been made on its implementation. With the March 20, 1997 publication in the *Federal Register* of the Interim Final Rule on the Flood Mitigation Assistance Program and the February 25, 1997 publication of the Final Rule on the Increased Cost of Compliance insurance coverage, all major provisions of the legislation have either been implemented or are well underway.

Implementation has required close coordination among the many stakeholder groups. These stakeholders include other Federal agencies, Government Sponsored Enterprises, State and local governments, lenders, the

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The National Flood Insurance Reform Act of 1994 — A Summary

(This Summary has appeared in all editions of the Bulletin.)

An important milestone for the National Flood Insurance Program (NFIP) was reached when President Clinton signed into law the Community Development and Regulatory Improvement Act of 1994 on September 23, 1994. Title V, the National Flood Insurance Reform Act of 1994, marks the first major change in the Program in more than 20 years.

The new law reflects the concern of the Congress and the Administration that greater emphasis needs to be placed on the NFIP. The law provides tools to increase the effectiveness of the NFIP in achieving its goals of reducing the risk of flood damage to properties and reducing Federal expenditures for uninsured properties at risk that are damaged by a flood. The provisions within each subtitle are listed on the last page of this Bulletin.

The Act affects every part of the National Flood Insurance Program (NFIP) from insurance to mapping to floodplain management. The stated purpose of the Act is to improve the financial condition of the NFIP and reduce the Federal expenditures for Federal disaster assistance to flood damaged properties. This will be accomplished through:

Increased lender compliance, which will help increase the number of flood insurance policies that are placed and maintained, therefore

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insurance industry, the building sciences and environmental communities, and associations and organizations, as well as private citizens with interest in the NFIP. FEMA would like to thank all those who have so generously participated on task forces, commented on rules or procedures, or otherwise assisted FEMA in implementation of NFIRA. Without your help, implementation would not have been possible.

A summary of the major activities and meetings that have taken place along with an update of detailed actions taken to implement the provisions of the Act are provided inside this bulletin.

To get a copy of the National Flood Insurance Reform Act of 1994, Public Law 103-325, write to:

United States House of Representatives
Document Room
Washington, D. C. 20515

You may also call (202) 225-3456 or fax (202) 226-4362.

If you have any questions about the Act, or if you have comments or suggestions, please send them to Bill Lesser in the Mitigation Directorate or Verna Riggs in the Federal Insurance Administration at:

Federal Emergency Management Agency
500 "C" Street, SW
Washington, D. C. 20472

You may also fax your questions to us at (202) 646-3689.

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protecting more people throughout the country and reducing the need for Federal Disaster assistance.

Mitigation assistance grants, which will provide assistance for states and communities to protect homes and businesses before a flood damages or destroys them, rather than after a flood has already caused damage.

Mitigation insurance, which will give people the additional financial resources to rebuild their repetitively flooded or substantially damaged homes and businesses in compliance with local floodplain management ordinances, therefore reducing the cost and amount of future flood damage.

The National Flood Insurance Reform Act of 1994 provides lenders with tools to enforce mandatory purchase requirements for flood insurance coverage created under the Flood Disaster Protection Act of 1973. Subtitle B contains most of the provisions that directly affect the lending and regulatory industries.

The Community Rating System (CRS), in place since 1990, was codified under Subtitle C. CRS is a voluntary incentive program that provides flood insurance premium reductions to communities that undertake activities beyond those required by the NFIP.

Mitigating flood risks through grants and insurance coverage is the focus of Subtitle D. Two task forces, one dealing with flood insurance and the other focusing on natural and beneficial functions of floodplains, are created under Subtitle E. Subtitle F contains 14 miscellaneous provisions that deal with insurance, mapping, erosion hazards, and disaster assistance.

Automated FAX Lines Distribute National Flood Insurance Reform Act Documents

FEMA's Office of Emergency Information and Public Affairs operates an automated FAX distribution system which allows individuals to request FAXes through a push button phone. Dial (202) 646-FEMA and follow the voice prompt. The following documents pertaining to the NFIRA are available:

Doc. Number

Document Name

23100	Standard Flood Hazard Determination Form (SFHDF) (From 44 CFR, Part 65, Final Rule)
23101	Federal Regulators' Ruling on Use of the SFHDF
23102	FEMA's Review of Determinations for Required Purchase of Flood Insurance, Final Rule (12/5/95)
23103	Standard Flood Hazard Determination Form and Instructions
23021	QUICK FACTS - September 30, 1996
23104	NFIP Policy Increase and Waiting Period

23105

23106

23107

23108

23109

Mortgage Portfolio Protection program (MPPP)
60 FR 44881 (8/29/95)

NFIP Policy Issuance 8-95, 30-Day Waiting Period

How to Request a Lender Flood Hazard Determination Review

Notification of Change of Servicer

Loans in Areas Having Special Flood Hazards; Federal Regulators' Final Rule (8/29/96)

Information about FEMA and all of its programs is available through the FEMA FAX. An index of all documents for FIA may be obtained on Doc. Number 23000, and for Mitigation on Doc. Number 20000.

Information on the NFIP, Flood Maps, Community Status Books

For general information about the NFIP, you may call the Telephone Response Center at 1-800-427-4661. For information about flood maps and the Community Status Books, please call the Map Service Center at 1-800-358-9616. NFIRA and NFIP information, and the NFIP Community Status Books can also be accessed through Internet, on the FEMA Home Page. The address is <http://www.fema.gov>.

Details

This section provides a summary of each provision of the Act, briefly outlines actions that were taken to implement the provision, and gives current status.

SUBTITLE B

Subtitle B focuses on lenders and lender compliance

Expanded Flood Insurance Purchase Requirements (Section 522)

SUMMARY

Federal agencies acting as lenders and regulated lending institutions are to require flood insurance when making, increasing, extending, or renewing a loan, and maintain the coverage for the term of the loan as a condition for applicable loans, improved real estate or mobile homes which are located in a Special Flood Hazard Area. The Act also requires Government Sponsored Enterprises (GSEs) that purchase loans in the secondary mortgage market to implement procedures to ensure that applicable loans are covered by flood insurance and that the coverage is maintained for the term of the loan.

ACTIONS

The Federal regulators' final rule, making uniform all regulations and guidelines implementing common statutory or supervisory policies, was published in the *Federal Register* as Part IV, Loans in Areas Having Special Flood Hazards, on August 29, 1996, with an effective date of October 1, 1996, an effective date of October 4, 1996 for the Farm Credit Administration, and an effective date of November 1, 1996 for the National Credit Union Administration.

Escrow of Flood Insurance Payments (Section 523)

SUMMARY

Effective September 23, 1995, Federally regulated lenders, their servicers, and Federal agency lenders are required to escrow for flood insurance on loans secured by improved residential real estate or mobile homes if escrows for taxes, insurance, and/or other reasons are already required.

ACTIONS

This was accomplished through the Federal regulators' final rule, published in the *Federal Register* as Part IV, Loans in Areas Having Special Flood Hazards, on August 29, 1996, as indicated in Section 522 above; and through the revised flood insurance examination procedures distributed to all lenders or incorporated with the compliance activities handbook on November 15, 1996.

Placement of Flood Insurance by Lenders (Section 524)

SUMMARY

Force Placement: Lenders are required to notify borrowers if their building or mobile home is in a Special Flood Hazard Area and requires flood insurance. If the borrower has not purchased flood insurance after 45 days of the notification, the lenders have the statutory authority to purchase flood insurance on behalf of the borrower. FEMA recommends that the lenders use the Mortgage Portfolio Protection Program (MPPP) when force placing.

FEMA's Review of Determination: Within 45 days after the lender's notification that flood insurance is required because a building is in a Special Flood Hazard Area, a borrower and lender may appeal to FEMA. Please note, the

borrower and lender must jointly request FEMA's review of the determination. The request must be supported by technical information used when making the determination related to the building or mobile home.

ACTIONS

Force Placement:

The Federal regulators' final rule, published in the *Federal Register* as Part IV, Loans in Areas Having Special Flood Hazards, on August 29, 1996, and the FFIEC-approved Revised Flood Insurance Examination Procedures for Flood Insurance (incorporated into the regulators' Compliance Activities Handbook) authorize and obligate lenders to force place flood insurance when necessary. The examination checklist indicates the necessity to review for possible force place requirements during the life of the loan. The checklist delineates procedures to follow when it becomes necessary to force place insurance.

FEMA's Review of Determination:

The determination review process provides an opportunity for borrowers and lenders of loans secured by improved real estate to resolve disputes regarding contested determinations. In response to the proposed rule published in the *Federal Register* on June 15, 1995, outlining the procedures for requesting a determination review, FEMA received comments from 25 organizations and individuals representing the following interests: lenders, associations, flood zone determination companies, and a consultant. FEMA responded to these comments in the final rule published on December 5, 1995, and began accepting determination review requests on January 2, 1996.

Penalties for Failure to Require Flood Insurance or Notify (Section 525)

SUMMARY

Civil penalties may be imposed on Federally regulated lenders and GSEs for housing that

have a pattern of non-compliance with flood insurance requirements, notification, escrow, and placement and maintenance of flood insurance. The penalties are \$350 for each offense, up to a maximum of \$100,000 in any given year. The penalties will be deposited in the National Flood Mitigation Fund, established by the Act, and will be used to support the Mitigation Assistance Program established under Section 553.

ACTIONS

This was accomplished through the Federal regulators' final rule, published in the *Federal Register* as Part IV, Loans in Areas Having Special Flood Hazards, on August 29, 1996, as indicated in Section 522 above; and through the revised flood insurance examination procedures distributed to all lenders or incorporated with the compliance activities handbook on November 15, 1996.

Notice Requirements (Section 527)

SUMMARY

Federally regulated lenders and Federal agency lenders are required to notify, in writing, the purchaser or lessor that a property is in a Special Flood Hazard Area in advance of signing the purchase agreement or lease. Lenders must inform FEMA or its designee of the change of servicer of a loan made in a Special Flood Hazard Area within 60 days after the effective date of the change. FEMA is to notify the policyholder and the servicer of the loan 45 days before the renewal date of the policy.

ACTIONS

This was accomplished through the Federal regulators' final rule, published in the *Federal Register* as Part IV, Loans in Areas Having Special Flood Hazards, on August 29, 1996, as indicated in Section 522 above; and through the revised flood insurance examination procedures distributed to all lenders or incorporated

with the compliance activities handbook on November 15, 1996.

Standard Flood Hazard Determination Form (Section 528)

SUMMARY

FEMA is to coordinate with the Federal regulators to develop a Standard Flood Hazard Determination Form (SFHDF) to record if a building or mobile home is located in an identified Special Flood Hazard Area and if flood insurance is available. The intent of the form is to identify buildings located in a Special Flood Hazard Area and ascertain the availability of flood insurance. The form will assist Federal entities for lending regulation in ensuring compliance with the mandatory flood insurance purchase requirements. Please note, the SFHDF does not replace the lender's written notification to the borrower about disaster assistance.

ACTIONS

Before the proposed rule was published in the *Federal Register* on April 7, 1995, FEMA held an informal 30-day review period in early 1995. We provided a copy of a draft form to more than 400 individuals, agencies and groups, representing the following interests: Federal entities for lending regulation, Federal agency lenders, Government Sponsored Enterprises for housing, lenders, insurance agents, flood zone determination companies, attorneys, trade associations, professional surveyors and engineers, and floodplain managers. This outreach generated 74 comments. The response to the publication of the proposed rule included comments from 98 individuals. As part of the preparation of the final rule, FEMA met with the Federal entities for lending regulation and asked for their guidance on issues that were raised during the proposed rule's comment period. FEMA issued a final rule, published in the *Federal Register* on July 6, 1995. The Federal regulators also issued

their final rule, mandating the use of the form by lenders, effective January 2, 1996.

Examination Regarding Compliance by Lenders (Section 529)

SUMMARY

Federal banking agencies and the National Credit Union Administration must assess lender compliance with flood insurance requirements during scheduled inspections, and must report their findings to Congress one year after the date of enactment and biennially thereafter for the next four years. Section 529 also amends the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 to require the Director of the Office of Federal Housing Enterprise Oversight of the Department of Housing and Urban Development to determine whether the member enterprises have established adequate procedures to comply with the requirements of the Act based upon these aforementioned reports to Congress.

ACTIONS

Revised flood insurance examination procedures were distributed to all lenders or incorporated with the compliance activities handbook. Changes to the examination procedures include new procedures to address the escrow requirements, force placement, use of the Standard Flood Hazard Determination Form, charging of determination fees, basic flood insurance purchase requirements and notice requirements.

SUBTITLE C

Community Rating System (Section 541)

SUMMARY

NFIRA codifies the Community Rating System (CRS), establishes objectives for CRS, and directs that credits may be given to communities that implement measures to protection natural and beneficial floodplain functions and

manage the erosion hazard. FEMA must report to Congress within two years.

The CRS is an incentive program whereby communities that exceed the minimum requirements of the NFIP secure reductions in the flood insurance premiums for their residents. As of October 1, 1996, more than 900 communities were participating in CRS. The policies in the CRS communities represent 65 percent of all NFIP flood insurance policies currently in place.

ACTIONS

FEMA revised the creditable activities to include actions related to protecting natural and beneficial functions and coastal erosion hazards which were added to CRS in the fall of 1995. FEMA is undertaking a comprehensive evaluation of CRS involving input from local officials and State floodplain management agencies. Preliminary results from this study were reported to Congress in the first biennial report in September 1996. This report includes a description of how the program is working and how it has been refined to achieve the stated goals. The next report will contain additional evaluation results and further recommendations to improve the program.

SUBTITLE D

Repeal of Flooded Property Purchase and Loan Program (Section 551)

SUMMARY

Section 1362 of the National Flood Insurance Act of 1968, Property Purchase Program (the acquisition of substantially and repetitively flood-damaged structures) is repealed. The Mitigation Assistance Program, Section 553, replaces Section 1362 Flood Damaged Property Purchase Program.

ACTIONS

All applications approved prior to the repeal date are being closed out.

Termination of Erosion-Threatened Structures Program (Section 552)

SUMMARY

The Upton-Jones program, which under the Standard Flood Insurance Policy, provided relocation or demolition benefits for properties in imminent danger of collapse from erosion, was terminated with a 1-year transition phase from September 23, 1994 to September 23, 1995.

The Mitigation Assistance Program, Section 553, replaces the Upton-Jones acquisition/demolition program for buildings threatened by erosion.

ACTION

All applications received prior to the repeal date are being closed out.

Mitigation Assistance Program (Section 553)

SUMMARY

FEMA is to provide grants to states and communities based on a 75 percent/25 percent cost share for mitigation plans and projects. Eligible project activities include: acquisition and relocation, elevation, floodproofing, demolition, small structural works that do not duplicate other agencies' programs (e.g. no major levees), beach nourishment, and technical assistance. States and communities must have an approved flood mitigation plan before they can be eligible to receive project grants.

ACTIONS

The Interim Final Regulations for the Flood Mitigation Assistance (FMA) Program were published on March 20, 1997. Planning and technical assistance grants will be awarded through FEMA's annual grant program with

each state. Project grants will be awarded later in the year, as applications are approved. Comments will be accepted and considered when the regulations are later finalized.

Copies of the Interim Final Regulations are available on FEMA's Home Page, at <http://www.fema.gov>, or on FEMA's automated FAX line.

Additional Coverage for Compliance With Land Use and Control Measures (Section 555)

SUMMARY

This section provides insurance protection to cover the cost to repair and reconstruct substantially damaged or repetitively flooded structures to comply with floodplain management regulations. This coverage is referred to as increased cost of compliance (ICC) coverage.

ACTIONS

In shaping policy on ICC coverage, FEMA consulted with its government and industry partners including State floodplain managers, Write Your Own companies, and insurance agents.

FEMA completed actuarial studies in the pricing of ICC and concluded that a \$15,000 limit per policy for ICC coverage was practical. Premium surcharges that reflect the risk were also determined from these studies. The premiums for ICC range from \$6 to the statutory cap of \$75.

FEMA published on September 23, 1996 a proposed rule that included the proposed policy language that would add ICC coverage to the Standard Flood Insurance Policy.

During the rulemaking process for ICC coverage, FEMA received 16 sets of comments largely from its flood insurance industry and State government partners. The Final Rule was

published in the Federal Register on February 25, 1997.

FEMA plans to have ICC coverage on policies with building coverage issued or renewed on or after June 1, 1997.

SUBTITLE E

Flood Insurance Interagency Task Force (Section 561)

SUMMARY

An interagency task force composed of 10 members, who were the designees of: the Federal Insurance Administration, the Federal Housing Commissioner, the Secretary of Veterans Affairs, the Administrator of Rural Housing Service, the Administrator of the Small Business Administration, the Chairman of the Board of Directors of the Farm Credit Administration, the Federal Financial Institutions Examination Council, the Board of Directors of the Federal Home Loan Mortgage Corporation, and the Chairman of the Board of Directors of the Federal National Mortgage Association was established to perform studies and make recommendations on standardized enforcement procedures and compliance with the mandatory flood insurance purchase requirements. The task force's findings will be reported to Congress.

ACTIONS

The interagency task force established workgroups to conduct necessary studies and develop recommendations to carry out the tasks directed by Title V of the NFIRA. The task force has approved the following findings and recommendations of the assigned workgroups. Compliance assistance materials produced by Federal Agencies and GSEs for general information, training, and enforcement were reviewed, and all material is currently being updated to comply with every aspect of the NFIRA. A compliance model checklist was

developed and approved by the task force, and submitted to the FFIEC for reference in developing their examination procedures. The study of determination fees by lenders, servicers and third party flood zone determination companies is being accomplished through surveys, analysis of results, and experience gained through the use of the FFIEC-approved examination procedures by lending institutions nationwide.

The findings and recommendations of the workgroups are included in an interim report from the task force to the United States Congress this month (March 1997). The task force indicates that all critical information will be available to develop and publish recommendations regarding enforcement and compliance procedures. The task force expects to submit a final report to the United States Congress by December 1997.

Task Force on Natural and Beneficial Functions of the Floodplain (Section 562)

SUMMARY

An interagency task force consisting of the Department of Commerce for Oceans and Atmosphere, U. S. Fish and Wildlife Service, the Environmental Protection Agency, U. S. Army Corps of Engineers, and the Federal Emergency Management Agency, is established to study natural and beneficial floodplain functions that reduce flood related losses and to make recommendations.

ACTIONS

The first task force meeting was held on August 5, 1996. Under the plan to complete the report, a forum was held on February 27, 1997 to develop an initial list of floodplain functions that reduce flood-related losses, make recommendations on how to protect and restore them, and discuss a general outline of the conduct of the study and the final report. Other facilitated sessions are planned by the

task force in order to complete the final report by August 1998.

SUBTITLE F

Extension of the NFIP (Section 571)

SUMMARY

The National Flood Insurance Program is extended through September 30, 1997.

ACTIONS

No action required.

Maximum Flood Insurance Coverage Amounts (Section 573)

SUMMARY

The maximum flood insurance coverage amounts available were increased.

Increased Flood Insurance Coverage Limits

<u>Building Type</u>	<u>Building Coverage</u>	<u>Contents Coverage</u>
Single Family	\$250,000	\$100,000
2-4 Family	\$250,000	\$100,000
Other Residential	\$250,000	\$100,000
Residential		
(Condo) Individual	\$250,000	\$100,000
Condo-Master		
Bldg only X # units)	\$250,000	\$100,000
Commercial (including		
small business)	\$500,000	\$500,000

ACTIONS

The Final Rule was published in the *Federal Register* on January 30, 1995, and the increased coverage limits became effective March 1, 1995.

Updating Flood Insurance Maps (Section 575)

SUMMARY

FEMA is required to review and assess the need to update and revise Flood Insurance Rate Maps every five years. This section also requires that FEMA provide regular distribution of changes

to the maps that are affected by letter, including the publication of a semi-annual compendium of all map revisions.

ACTIONS

FEMA has developed a process for identifying map update and restudy needs, and prioritizing those needs against budgetary constraints. The process was outlined in the January 1994 draft report Federal Emergency Management Agency Mitigation Directorate: A Process for Identifying Map Update Needs for the National Flood Insurance Program. The process consists of three major components: (1) an initial screening of communities to identify all needs, (2) a verification process to determine whether the needs identified are valid, and (3) prioritizing and ranking of the verified needs. By this process, within five years FEMA will have created a National inventory of map update needs.

The inventory will provide an assessment of funding needed to show all current special flood hazard areas and to address ease of (map) use issues. Data from the inventory will allow FEMA to identify future budget requirements by region and geographic location; schedule future mapping updates to coincide with mitigation, disaster, and insurance initiatives; develop reports to Congress on the NFIRA impact; and aid in NFIP reauthorization hearings.

The Mapping Needs Update Support System (MNUSS) database has been developed to house the national inventory and to assist in analyzing and prioritizing the mapping needs. The MNUSS currently contains 450 mapping needs, reflecting over 2,600 miles of flooding, involving almost 900 panels, for a cost of nearly \$16.5 million.

A policy for funding the update requirements of the identified mapping needs and cost-sharing mechanism is currently being developed. FEMA has begun to identify and prioritize the mapping

needs of 10 percent of the total number of mapped communities by March 1997, and an additional 20 percent by the end of Fiscal Year 1997. FEMA expects to complete the process for all communities by 1999.

The Compendium of Flood Map Changes for the first half of 1996 was published in the *Federal Register* on October 4, 1996. The compendium can also be found in the Mitigation Room of the Library on FEMA's Web Page, at <http://www.fema.gov>. Future versions of the Compendium will also be posted on the Web Page.

Technical Mapping Advisory Council (Section 576)

SUMMARY

A Technical Mapping Advisory Council is established to recommend improvements to Flood Insurance Rate Maps.

ACTIONS

The Council began its work in 1996 starting with the first official meeting held in May. Prior to that date, several organizational requirements were addressed by FEMA. These requirements included the nomination and selection of Council members from the organizations specified in NFIRA and the filing of the Council Charter with the Congressional Oversight Committees, General Services Administration, and the Library of Congress. The Charter was then officially and unanimously adopted by the Council during the May 1996 meeting.

The Council convened four times in 1996, with two face-to-face meetings and two teleconferences to become more knowledgeable about NFIP map production and distribution, and to become more familiar with the various needs of the NFIP map user, as well as to establish goals for the Council. Specifically, the Council has toured FEMA facilities and held interviews with FEMA contractors and experts in the field of digital mapping and digital mapping standards. The

Council's first annual report was released on January 31, 1997. Copies of the report are available through FEMA, and general information about the Council is available on FEMA's Home Page, at <http://www.fema.gov>.

Evaluation of Erosion Hazards (Section 577)

SUMMARY

Requires that FEMA conduct an economic impact analysis of erosion hazard areas and their impact on the National Flood Insurance Program, its policyholders, and communities prone to erosion. To conduct this study, the Act states that FEMA "may map a statistically valid and representative number of communities with erosion hazard areas throughout the United States, including coastal, Great Lakes, and if technologically feasible, riverine areas."

The study is being conducted in two phases. **Phase one** requires FEMA to map coastal erosion hazard areas for 27 coastal and Great Lakes counties. **Phase two** requires FEMA to (a) conduct an inventory of structures located in the mapped erosion hazard areas, and (b) conduct, through a "private independent entity," an economic impact analysis of mapping erosion hazards.

ACTIONS

A study has been completed that determined a statistically valid and representative number of coastal communities to be mapped under phase one of the study. State Coastal Zone Management (CZM) Agencies assisted FEMA in this effort.

FEMA has completed a pilot study of the economic impact of erosion and mapping of erosion hazard areas for Sussex County, Delaware. The results were used in drafting the Statement of Work for the second phase of the national study. The Sussex County pilot study was completed in February 1997.

FEMA contracted with 18 State CZM agencies, or their designees, to map erosion hazard areas for 27 coastal and Great Lakes counties (phase one of study). It is anticipated that FEMA will receive delivery of erosion hazard map products for five states by the end of February 1997. Erosion hazard maps for the remaining 13 states will be received by FEMA by the end of May 1997.

FEMA is in the process of preparing contract documents for the second phase of the study. It is anticipated that the second phase of the study will be initiated in Fiscal Year 1997, and completed early in Fiscal Year 1999. FEMA will contract with a congressionally mandated "private independent entity" to conduct the second phase of the study.

Study of Economic Effects of Charging Actuarial Rates for Pre-FIRM Structures (Section 578)

SUMMARY

FEMA is required to study the economic impacts of charging actuarial rates to pre-FIRM structures. The study is to include: the number and type of properties affected; the effects that the increases would have on land values, the economy, and the homeowners; and the amount of premium to be charged.

ACTIONS

FEMA awarded a contract to conduct the study to Price Waterhouse LLP. Field data collection will begin late winter 1997. The final report is due late November 1997.

Effective Dates of Policies (Section 579)

SUMMARY

The waiting period from the time all obligations have been met (premium payment and completed application) for flood insurance coverage was increased to 30 days. There are two exceptions:

(1) An initial purchase of flood insurance in connection with the making, increasing, extending, or renewing of a loan. In this case, there is no waiting period.

(2) An initial purchase of flood insurance within one year of a map revision. In this case, the policy would go into effect at 12:01 a.m. the day after the application is made and payment is received.

Another provision of the law calls for a study of the effect of the increased waiting period.

ACTIONS

The Final Rule was published in the *Federal Register* on January 30, 1995, with an effective date of March 1, 1995. FEMA submitted the required report to Congress on the projected affect of the increased waiting period on March 28, 1995. On December 5, 1995, FEMA submitted NFIP Policy Issuance 8-95, providing a clear interpretation of the 30-Day Waiting Period, and delineating exceptions. All necessary requirements of the Act have been accomplished.

Agricultural Structures (Section 580)

SUMMARY

This provision gives states or communities the option of either (1) exempting agricultural structures that have been damaged by flooding from floodplain management regulations, or (2) requiring that these structures be wet floodproofed, dry floodproofed, or elevated.

Under the Act, the Director must either deny flood insurance to agricultural structures that are not wet floodproofed or otherwise protected, or charge actuarial rates.

This section also prohibits disaster relief for agricultural structures that have been damaged in communities that exempted all or some of these structures from floodplain management regulations. This section does not apply to new or substantially improved agricultural structures. It only applies to structures damaged after the date of enactment of this Act.

ACTIONS

While this section can generally be implemented without changes to the NFIP Floodplain Management Regulations, the Mitigation Directorate is undertaking a study to identify the types of agricultural structures for which wet floodproofing is a technically and economically feasible means of providing flood protection. In addition, this study will look at the flooding conditions under which wet floodproofing can be successfully employed and provide recommendations regarding specific wet floodproofing techniques and their application to agricultural structures and their contents.

Once the study is completed, FEMA will utilize the findings to determine to what extent wet floodproofing can be included in the NFIP Floodplain Management Regulations. Concurrently, FEMA will determine the appropriate flood insurance rates for agricultural structures that can be wet floodproofed under the NFIP. Any proposed changes in the NFIP regulations will occur through the formal rule making process that provides for a public review and comment period.

To FEMA's knowledge, no community has exempted substantially damaged agricultural structures from floodplain management regulations.

Prohibited Flood Disaster Assistance
(Section 582)

SUMMARY

Individuals in Special Flood Hazard Areas who received disaster assistance after September 23, 1994 for flood disaster losses to real or personal property must purchase and maintain flood insurance coverage. If flood insurance is not purchased and maintained, future disaster assistance will be denied.

The requirement to maintain flood insurance coverage stays with the structure that received disaster assistance as a result of flood damage. If the structure is sold, the current owner is required to notify the buyer of the house of the need to purchase and maintain flood insurance. If the buyer is not notified, suffers uninsured flood losses, and receives Federal disaster assistance, the seller may be required to repay the government any Federal disaster assistance the buyer received.

ACTIONS

FEMA issued a regulation on February 1, 1995, retroactively, implementing Section 582 of the NFIRA, as it pertains to the Individual and Family Grant (IFG) Program. On May 1, 1996, FEMA published an interim final rule to establish a Group Flood Insurance Policy (GFIP) and implementing criteria, in an effort to assist IFG recipients to purchase and maintain flood insurance coverage for the first three years — the term of the GFIP coverage. At the end of the three years, individuals must purchase and maintain a standard flood insurance policy with coverage equalling the maximum IFG grant amount as a condition to receiving further assistance due to subsequent flooding. There are currently approximately 1,689 GFIPs in 18 States and territories as a result of 24 Federal disasters.

Provisions of the National Flood Insurance Reform Act of 1994

Subtitle B. Compliance and Increase Participation

- Section 521. Non-waiver of flood purchase requirement for recipients of Federal disaster assistance
- Section 522. Expanded flood insurance purchase requirements
- Section 523. Escrow of flood insurance payments
- Section 524. Placement of flood insurance by lenders
- Section 525. Penalties for failure to require flood insurance or notify
- Section 526. Fees for determining applicability of flood insurance purchase requirements
- Section 527. Notice requirements
- Section 528. Standard hazard determination forms
- Section 529. Examinations regarding compliance
- Section 530. Financial Institutions Examination Council

Subtitle C. Ratings and Incentives for Community Floodplain Management Program.

- Section 541. Community rating system and incentives for community floodplain management
- Section 542. Funding

Subtitle D. Mitigation of Flood Risks

- Section 551. Repeal of flooded property purchase and loan program
- Section 552. Termination of erosion-threatened structures program
- Section 553. Mitigation assistance program
- Section 554. Establishment of National Mitigation Fund
- Section 555. Additional coverage for compliance with land use and control measures

Subtitle E. Task Forces

- Section 561. Flood Insurance Interagency Task Force
- Section 562. Task Force on Natural and Beneficial Functions of the Floodplain

Subtitle F. Miscellaneous Provisions

- Section 571. Extension of flood insurance program
- Section 572. Limitation on premium increases
- Section 573. Maximum flood insurance coverage amounts
- Section 574. Flood insurance program arrangements with private insurance entities
- Section 575. Updating of flood insurance rate maps
- Section 576. Technical Mapping Advisory Council
- Section 577. Evaluation of erosion hazards
- Section 578. Study of economic effects of charging actuarially based premium rates for Pre-FIRM structures
- Section 579. Effective Dates of Policies
- Section 580. Agricultural Structures
- Section 581. Implementation review by Director
- Section 582. Prohibited flood disaster assistance